ASSETS MANAGEMENT POLICY

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1. Aim of this document

This document of Fixed Assets Management of Molemole Municipality is aimed at assisting Management and officials on Asset related issues and to ensure consistent, effective and efficient asset management principles.

1.1 Policy Objectives

- To safeguard the fixed assets of Molemole Municipality and to ensure the effective use of existing resources
- To emphasise a culture of accountability over Molemole Municipality's fixed assets
- To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation
- To provide a formal set of financial procedures that can be implemented to ensure Molemole Municipality financial asset policies are achieved and are in compliance with the General Accepted Municipal Accounting Practice (GAMAP) / Generally Recognised Accounting Practice (GRAP) and Municipal Finance Management Act (MFMA).
- To establish the criteria that must be met before capital expenditure can be capitalised as an asset in the Balance Sheet.
- To classify the different categories of assets according to the asset's nature, use and location.
- To set up rules to determine the value of assets that will be brought into the books and records of the Molemole Municipality.
- To set rules for establishing the useful life of the category of assets.
- To set specific rules for the calculation of depreciation per asset category.
- To set criteria for the future revaluation of assets.
- To set procedures for the scraping and sale of assets.
- To set procedures for the management and control of assets.
- To establish procedures for the annual physical verification of assets
- To set procedures on the treatment of assets held under finance lease
- To set procedures on the handling of inventory assets.
- This document will work hand in hand with already issued financial policies
- Failure to comply with these policies will result in the institution of disciplinary procedures in terms of the stipulated conditions of employment of Molemole Municipality.

2. Policy Authority and Responsibility

Any departures from the approved policies stated in this manual will require the prior written approval from the following authority and persons:

APPROVAL:	Molemole Municipality: Council
MAINTAINED BY:	Financial Division: Supply Chain Management
EXECUTION:	Molemole Municipality: Departmental Heads and Officials.
SUPPORTED BY:	Finance Division: Asset Management

3. Asset Management Accounting Policies

Definitions

Consistent definitions are essential for good asset management and reporting. These definitions were taken from the General Accepted Municipal Accounting Practise guidelines regarding assets:

3.1 Fixed Assets

A fixed asset is an asset with a useful life of more than one year and is used in the business of Molemole Municipality.

Characteristics of a depreciable fixed asset are the following:

- It is estimated that the asset will be used for more than one financial period;
- Has a limited useful life;
- Is used in a process of delivering services.

"An Asset" is a resource controlled by the Municipality as a result of past events and from which future economic benefits or potential service provision is expected to flow to the municipality

Property, Plant and equipment are tangible assets that:

Are held by the Municipality for use in production or supply of goods or services, for rental to others, or administrative purposes, and Are expected to be used during more than one period.

Infrastructure Assets are assets that are part of a network of similar assets. Examples are roads, water reticulation schemes sewerage purification works.

Community Assets are assets that contribute to the community's well-being. Examples are parks, libraries and fire stations.

Heritage Assets are cultural significant resources.
Examples are works of art, historical buildings and statutes.

Investment Properties are properties acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for resale in future years.

Other Assets are assets utilised in normal operations.
Examples are plant and equipment, motor vehicles and furniture and fittings

3.2 Cost

Cost of a fixed asset includes the cost of activities necessarily incurred to bring the fixed asset to the condition and location essential for its intended use (e.g. purchase price plus transport and installation).

Vat input tax should be included in the cost of a fixed asset only if the tax cannot be claimed (e.g. vat on passenger vehicles acquired).

3.3 Useful Life

Is either:

The period of time over which an asset is expected to be used by the municipality, or

The number of production or similar units expected to be obtained from the asset by the municipality.

3.4 Residual Value

Is the net amount that the Municipality expects to obtain for an asset at the end of its useful life after deducting the expected cost of the disposal.

3.5 Fair Value

Is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

3.6 Carrying value

Is the amount at which an asset is included in the Balance Sheet after deducting any accumulated depreciation thereon.

3.7 Recoverable Amount

Is the amount that the Municipality expects to recover from future use of an asset, including its residual value on disposal.

3.8 A Finance Lease

Is a lease which in effect transfers substantially all the risks and rewards associated with ownership of an asset from the lessor to the lessee.

3.9 Development

Is the application of research findings or other knowledge to a plan or design for the production of new substantially improved materials, devices products, processes or services prior to the commencement of commercial production or use. Development will only constitute a capital expense if it can be linked to an asset.

3.10 Research

Is an original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.
Research will only constitute a capital expense when it can be linked to an asset.

3.11 Depreciation

Is the systematic allocation of the depreciable amount of an asset over its useful life.

3.12 Depreciable Amount

Is the cost of an asset, or any other amount that substitutes the cost of an asset e.g. fair value of the asset that is reflected in the Financial Statements.

4. Transfer of Fixed Assets from State Departments or other Municipalities

4.1 The entire individual fixed asset items that are transferred from State Departments or other Municipalities to Molemole Municipality have to be valued, as these assets will represent the take on values for Molemole Municipality. All the relevant assets are acquired by Molemole Municipality based on the going concern concept at values as per paragraphs 3.1 to 3.10

4.2 After all the assets have been valued, their useful lives will be determined as the transferred assets will be depreciated over their useful lives as per paragraph 6.9 of these accounting policies.

4.3 The transferred assets will be valued on the following bases;

Motor vehicles will be valued at the trade value of each vehicle per the latest Auto Dealers Guide.
Furniture and fittings and office equipment must be included as estimations.
Building and grounds will be valued as per valuation roll.

4.4 Desktop and laptop computers and printers will be valued by:-

extracting a schedule of each type and model of personal computer, comprising CPU, monitor, keyboard and mouse;
requesting our IT personnel to place a value on each of the types of personal computer and printer;
Applying the above values to the quantity of each type of personal computer and printer in use at each office.

5. Capitalisation of Fixed Assets

5.1 Fixed assets with a satisfaction of definition will be capitalised and therefore recorded in the Fixed Asset Register and depreciated over its useful life.

5.2 Fixed assets with a dissatisfaction of asset definition will be written off to the Income Statement as Inventory Assets on purchase and will not be recorded in the Fixed Asset Register.

5.3 All changes to computers, i.e. software, motherboards and cards within a personal computer will be written off on purchase to computer repairs and replacements.

5.4 Recoverable works e.g. water-, sewerage- and electricity connections will not be capitalised as an asset. These expenses will be debited directly to the Income Statement. (refer to 12.1 for more detail)

5.5 Roads and Robots with a satisfaction of an asset will be capitalised per extension situated in the Municipality. Other traffic signs with a satisfaction of an asset will be maintained in the asset register per road.

5.6 All Infrastructure Assets will where possible be capitalised per individual asset that forms part of the Infrastructure asset. (e.g. for a water reservoir the reservoir will be split from the pumps, generator and pipes that contributed to the total amount of the Infrastructure asset.)

5.7 Any asset e.g. roads, street lighting and storm water curbs that is obtained and managed by Molemole Municipality as a result of Township Development will be capitalised as an asset when it occurs.

6. Fixed Assets and Depreciation

The following policies will apply to existing-, purchased and other assets obtained from third parties:-

6.1 Computer equipment

Will be recorded at cost and written down to R0 over their useful lives by the straight-line method of depreciation.

6.2 Furniture fittings and equipment

Will be recorded at cost and written down to R0 over their useful lives by the straight-line method of depreciation.

6.3 Office equipment

Will be recorded at cost and written down to R0 over their useful lives by the straight-line method of depreciation.

6.4 Motor vehicles

Will be recorded at cost and written down to R0 over their useful lives by the straight-line method of depreciation.

6.5 Leased assets

Fixed assets obtained under finance leases and suspense sale agreements are capitalised at cost excluding finance charges and written down to R0 over the period of the lease.

Lease finance charges are accrued and are written off to the Income Statement as they become due based on the effective rate of interest method.

6.6 Research and development

Expenditure on research and development is normally charged against operating income and not deferred. However, development costs are capitalised in respect of unique projects that are deemed to be useful to Molemole Municipality. Costs thus capitalised are amortised over the estimated useful lives of the asset or system.

Development costs are only capitalised when the following criteria are met:

- the project is clearly defined and the costs attributable to the project can be separately identified and measured reliably;
- the technical feasibility of the project can be demonstrated;
- the usefulness of the project to Molemole Municipality can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project.
- The cost of the research and development can directly be linked to an asset or category of assets.

6.7 Recognition of Assets

Assets will only be capitalised as an asset in the balance sheet when the following criteria are met.

- Future economic benefits or potential service delivery associated with the asset will flow to Molemole Municipality.
- The cost of the asset can be measured reliably, and
- The life time of the asset is more than a year
- All risks and rewards relating to an asset item have been passed to Molemole Municipality and therefore Council controls the asset item.
- A valid invoice to Council or other transfer document that transfers ownership to Council exists.

Self constructed assets

Cost of self constructed assets will be determined from requisitions of inventory used, timesheets of labour cost as well as from invoices of creditors and suppliers.

A self constructed asset with a satisfaction of asset definition will be capitalised as an asset when all criteria for an asset as stated above are met and will be capitalised as follows:

The total value of the inventory or spare parts used to build the asset will be capitalised as an asset.

6.8 Repairs and improvements to fixed assets

Where repairs and maintenance are incurred to improve a specific asset (i.e. the improvement will increase capacity or extend the useful life of the asset), the cost of the improvement must be capitalised against the fixed asset affected, and written off **over the remaining life of the asset.**

Where repairs and maintenance expenses are incurred to repair or service a specific asset and it does not extend the lifespan of the asset, the cost thereof must be written off to repairs and maintenance in the income statement.

6.9 Depreciation

Depreciation can only be written off if the useful life of an asset is established.

All assets will be written off on the straight-line method as stated in 6.1 to 6.6 from the acquisition date of the asset on a monthly basis. E.g. an Asset that was bought on the 27th of the month will be depreciated for the whole month and not for only three or four days.

The depreciation charge for each period will be recognized as an expense in the Income Statement.

Depreciation of assets will be charged as an expense to the Income Statement even if the value of the asset exceeds its carrying amount.

When it is known that an asset will involve significant removal, restoration or other costs at the end of its useful life the accounting procedures will be as follows:

The estimated cost that will be incurred at the end of the assets useful life will be recognised as an expense over the expected life of the asset as a liability until the expected expense is fully provided for.

When the cost is incurred it will be offset against the created liability.

6.10 Useful life of Assets

The useful life of infrastructure-, community-, recreational- and other assets are categorised below.

Heritage Assets are not reflected in the asset life schedule below because no useful life can be established for heritage assets as there is no way to determine the lifespan of painting or statue etc.

Useful lives - Estimated useful lives per category of asset are as follows:

CATEGORY	ASSET LIFE
Infrastructure Assets:	
Electricity	
Power stations	30-40 years
Cooling Towers	30-40 years
Transformer Kiosks	30-40 years
Meters	20-25 years
Load Control Equipment	20-25 years
Switchgear Equipment	20-25 years
Supply/reticulation	20-25 years
Mains	20-30years
Street Lights	18-25 years
Highmast Lights	20-25 years
Roads	
Motorways	15 years
Other Roads	10 years
Traffic Islands	10 years
Traffic Lights	20 years
Road furniture/ Signs	15-20 years
Street Lighting	25 years
Overhead Bridges	30 years
Storm Water Drains	20 years
Bridges, Subway & Culverts	30 years
Car Parks	20 years
Bus Terminals	20 years
Pipes	15-25
Catch Pit	20-25
Signboards	7-10
Water	
Meters	15 years
Mains	20 years
Rights	20 years
Supply/Reticulation	20 years
Reservoirs and Tanks	20 years
Rights (that is the right to draw water from a particular source belonging to another party)	20 years
Sewerage:	
Sewers	20 years
Outfall Sewers	20 years
Purification Works	20 years
Sewerage Pumps	10 years
Sludge Machines	10 years

Community Assets	
Buildings:	
Ambulance Stations	30 years
Care Centres	30 years
Cemeteries	30 years
Clinics and Hospitals	30 years
Community Centres	15 - 30 years
Fire Stations	30 years
Game Reserve and Rest Camps	30 years
Indoor Sport stadiums	30 years
Libraries	30 years
Museum and Art Galleries	30 years
Parks	20 - 30 years
Public conveniences	30 years
Recreation Centres	20 - 30 years
Stadiums (Ground field and Grand stand)	20- 30 years
Old Age Homes	30 years
Taxi Ranks	30 years
Covered taxi bays	22-30
Passenger Shelter	22-30
Recreational Assets:	
Facilities:	
Bowling Greens	20-30 years
Tennis Courts	20-30 years
Swimming Pool	20-30 years
Golf Course	20- 30 years
Stadiums (Ground field and Grand stand)	20-30 years
Jukskei Pitches	20-30 years
Outdoor Sport Facilities	20-30 years
Lakes and Dams	20-30 years
Fountains	20-30 years
Floodlighting	15-30 years
Cricket Field	20-30 years
Security Measures:	
Fencing (Mash and Palisade Fence)	7-30 years
Security Systems	10 years
Access Control	5-30 years

Other Assets:	
Buildings:	
Caravan parks	30-40 Years
Compacting Stations	30-40 Years
Housing Schemes	30-40 Years
Laboratories	30-40 Years
Nurseries	30-40 Years
Office Buildings	30-40 Years
Quarries	30-40 Years
Stores	30-40 Years
Tip Sites	30-40 Years
Training Centres	30-40 Years
Transport Facilities	30-40 Years
Workshops and depots	30-40 Years
Guard room Wooden	2-20 Years
Mobile Offices	30-40 Years
Pavement	30-40 Years
Gazzebo Shades	30-40 Years
Market Stalls	30-40 Years
Office Equipment	
Computer Hardware	3-10 years
Computer Software	3-10 years
Office Machines	3-10 years
Air Conditioners	7-15 years
Banners	3-5 years
Fire	
Photocopy Machines over R50 000	5-10 years
Other Photocopy Machines	3-10 years
Faxes	3-10 years
Plotters	15-17 years
Furniture and Fittings:	
Chairs	7-15 years
Tables	7 -15years
Desks	7-15 years
Cabinets	7-15 years
Cupboards	7-15 years
Fire Cabinets	7-15 years
Miscellaneous	7-15 years
Shelve and Racks	7-15 years
Stove and Fridge	15 years
Urn and Kettle	3-7 years
Bins and Containers:	
Bulk Containers	10-12 years
Street Litter Bins	5-7 Years
Emergency Equipment:	
Fire	15 years
Ambulances	10 years
Fire hoses	5-10 years
Emergency Lights	10 – 15 years
Motor Vehicles:	
Fire Engines	10-12 years
Motor Vehicles	10-12 years

Motor Cycles	5-7 years
Trucks / Bakkies	10-12 years
Trailers	10-12 Years
Plant and Equipment:	
Graders	10-12 years
Tractors	10-12 years
Mechanical Horses	7 years
Farm Equipment & Pesticide Sprayers	5 years
Lawnmowers	2-5 years
Brush Cutters	2-5 years
Compressors	10- 12 years
Laboratory Equipment	5 years
Radio Equipment	5 years
Fire Arms	25-30 years
Telecommunication Equipment	5 years
Irrigation Systems	7 years
Conveyors Feeders	7 years
Tippers	10-12 years
Slashers	5-10 years
Ladder	5- 15 years

The useful life schedule must be used for all new and existing assets unless:

A more appropriate useful life can be motivated by the Department that acquires the asset, and

The change in the useful life of the Asset as motivated by the Department is approved by the Manager Financial Services.

If the useful life of an asset cannot be determined from the useful life schedule and it is impossible to estimate the useful life of the asset the accounting procedures will be as follows:

An annual assessment of the asset will be done by Heads of Departments to determine the deterioration of the asset and the potential service delivery for future benefits to the Municipality.

On this assessment the Municipality will account for a depreciation charge where major deterioration has occurred, through the Income Statement as expenditure.

The above will adjust the carrying value of the asset on the Financial Statements accordingly.

6.11 Review of the useful life of an asset.

All Assets will be investigated annually to ensure that the useful life of the asset is still in line with the original estimated useful life of the asset.

The depreciation charge for current and future periods will be adjusted accordingly, when it is determined that the useful life of an Asset at a specific period differs significantly from the original useful life estimation of the asset.

6.12 Recovery of the carrying amount

6.12.1 Impairment

When the carrying amount of an Asset has declined below the carrying amount of the asset the accounting procedures will be as follows:

The carrying amount of the asset will be reduced to the recoverable amount of the asset.

The amount in reduction will be recognised as an expense in the Income Statement.

6.12.2 Subsequent increase in the recoverable amount of an asset

It can happen that the recoverable value of an asset recovers in such a way that it exceeds the carrying value of an asset that was previously written down by means of impairment.

This asset's carrying value will only be written back to its original value if:

The circumstances or events that led to the write down of the value of the asset cease to exist.

There is evidence that the new circumstances and events will persist for the foreseeable future.

The Asset's original carrying value has never been influenced by impairment or a write-up of the carrying value.

The amount of write-up must be recorded as an income in the Income Statement.

7. Initial Measurements and Revaluation of Land and Buildings

7.1 Initial Measurements of Assets

An asset item will initially be measured at its cost price

The cost of an asset item will include the following:

Import duties
Non Refundable purchase Taxes

Any other direct attributable costs used to bring an asset to a working condition. (E.g. Delivery and handling cost, installation cost, professional fees etc.)

The cost of an asset will not include the following:

Trade discount received
Rebates received
Interest paid

7.2 Capitalisation of Assets Exchanged for dissimilar assets

When an asset is acquired by way of an exchange for a dissimilar asset capitalisation will be as follows:

The cost of the asset received as a replacement that must be capitalized will be calculated as the fair value of the replaced asset and adjusted by the amount of cash or cash equivalents that was transferred or received.

The profit or loss of the replaced asset will be calculated as the difference between the cost of the asset received as replacement and the book value of the replaced asset.

7.3 Capitalization of Assets exchanged for similar assets.

When an asset is acquired by exchanging it for a similar asset that is used for a similar activity and that has a similar fair value the following accounting practise will be followed:

The cost of the asset received as replacement asset will be carried at the same amount as the replaced asset.

There will be no recognition of profit/loss of fixed assets for an exchange of similar assets.

7.4 Subsequent Measurement for Fixed Property

Land, buildings and other fixed property will be re-valued on a four (4) yearly basis when all other properties are re-valued.
These fixed properties will be carried at the value of validation (fair value) less the accumulated depreciation on these properties.

This revaluation will be done to ensure that the carrying value of the fixed properties in the Balance Sheet does not differ materially from the fair value of these fixed properties.

The basis of the revaluation will be based on the replacement value for these fixed properties that will be obtained from the evaluation list as

supplied by the evaluator appointed by Molemole Municipality on a four yearly basis.

7.4.1 Appreciation of Fixed Properties

The following accounting procedures will be followed when the fixed properties are re-valued at an amount that exceeds the current value carried in the Financial Statements.

The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property.

The carrying value on the Balance Sheet will be adjusted to the revalued amount of the fixed property.

The difference between the original amount and the re-valued amount will be credited against a future depreciation reserve.
All future depreciation on the fixed property will be set off against this future depreciation reserve.

7.4.2 Downwards Revaluation of Fixed Property

The following accounting procedures will be followed when fixed properties are re-valued at an amount lower than the current carrying value of these fixed properties.

The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property.

The difference between the carrying value and the revaluation value will be recognised as an expense in the Income Statement unless the difference can be offset against a credit from a revaluation of another fixed property asset that was re-valued at a higher amount as explained above.

7.5 Revaluation of Assets other than Fixed Property

Assets other than fixed property will be carried at cost or initial valued price less accumulated depreciation in the Financial Statements for its useful life, provided that the carrying amount exceeds the recoverable amount of the asset.

7.6 Asset Revaluation Reserve

Any surplus arising on the revaluation of assets is credited to the asset revaluation reserve, which is regarded as non-distributable. On disposal of the asset the applicable portion of the surplus is transferred to the retained surplus account.

8 Inventory Assets

8.1 Assets that meet the definition of the assets but not satisfying the recognition criteria will be classified as Inventory Assets and will be recorded in loose asset register and written off in the Income Statement when it is purchased.

8.2 An Inventory List will be maintained by the Asset Control Officer for all Inventory Assets. These Inventory Assets will be numbered by barcode for easy reconciliation and verification where possible and cost effective.

8.3 Where it is not possible or cost effective it will be numbered with a permanent marker to ensure that it is accounted for with the yearly asset verification.

8.4 Inventory Assets will be budgeted for under the General Expenditure section of the operational budget and will therefore have an effect on the surplus or deficit of Molemole Municipality.

9 Asset Management Policy

9.1 Fixed Asset Register and work procedures

9.1.1 All fixed assets that satisfy the definition of asset will be recorded on the Fixed Asset Register, and the asset will remain on the register until such time it is disposed of.

9.1.2 All the fixed assets will individually be bar coded when physically possible and cost effective.

9.1.3 All the fixed assets will be captured on the Asset Management System and will be balanced back to the Asset Control Votes on the current used Financial System (Venus system).

9.1.4 Where it is not physically possible to mark an asset with a bar-coded strip, the asset will be marked and numbered by way of a permanent marking pen or paint. These assets will be identified on the Asset Management system as not bar-coded assets and will be marked off a list as recorded on the system when the annual Asset Verification is done.

9.1.5 The Fixed Asset Register will be updated annually with the replacement values of all assets. (This will only be done for Insurance purposes and will have no effect on the amount carried in the Financial Statements for Assets.)

9.1.6 The following information will be recorded on the asset register

Asset Number or deed number in respect of property

Date of Purchase
Cheque number or document number
Description Category
Cost Centre
Location
Purchase or valued cost
Depreciation Rate
Depreciation for the current year
Accumulated Depreciation
Book Value of the asset
Source of finance
Lifespan of the asset
Replacement Value if applicable

9.1.7 All assets and inventory assets will be kept in a safe place at all times.

9.1.8 All assets will be clearly marked for identification purposes when the assets are received.

9.1.9 The asset will be captured on the asset register as well as on an asset inventory sheet that must be fitted behind the door of each office or at a place as specified by the asset control officer.

9.1.10 The Head of Department or as delegated by him/her will sign the asset Inventory list to take responsibility of the assets in his/her department

9.1.11 No asset may be moved from its original location without the written approval of the Asset control Officer.

9.1.12 The procedures required to move an asset will be as follows:

The Head of the Department requesting the move of an asset must submit an approved Asset Move Request Form (available from the Asset Control Officer) to the Asset Control Officer before any asset is moved.

9.1.13 The Asset Register will be updated on a monthly basis with disposals, scrapings and additions before the depreciation run is performed.

9.1.14 The Asset Control Officer will balance the asset register to the assets as stated on the general ledger on a monthly basis and follow up any discrepancies.

9.1.15 Discrepancies will be communicated to the Financial Manager on a monthly basis.

9.1.16 The Asset Control Officer will report on all additions, scrapings, disposals and loss due to theft or other uncontrollable circumstances on a monthly basis.

9.1.17 No private assets **(*e.g. equipment or any other personal property- discretion should be with the security personnel and asset control officer*)** except vehicles are allowed on the premises of Molemole Municipality.
The Financial Manager or his/her delegate (asset control officer) must give written approval to an Official or any other person that requires bringing Private

Assets onto the premises of the Molemole Municipality. (a Private Asset Request form is available from the Asset control officer).
This approval form must be in the possession of the Official or any other person at all times, and must be produced as and when it is required.

9.2 Fixed Asset Register (Base Units)

Fixed assets will be recorded as follows to ensure that all assets are treated uniformly.

9.2.1 The central processing unit, (including the original software, motherboard and cards), keyboard and mouse of a personal computer;

9.2.2 The monitor of a personal computer;

9.2.3 A printer;

9.2.4 The monitor, keyboard and mouse (if applicable) of a computer terminal;

9.2.5 Each individual item of furniture;

9.2.6 Each individual item of office equipment.

9.2.7 Each component of an Infrastructure Structure Asset where possible. Example for a reservoir the reservoir, pumps and standby power separately.

9.2.8 Each stand and or building

10 Purchase of an Asset

The acquisition of Assets must be done in line with the Supply Chain Management process (Demand, Acquisition and Logistics), for asset Management officer to go with the Asset recording processes and procedure.

Molemole Municipal Council must approve any asset that did not form part of the original annual capital budget.

Any change above or below the budgeted amount should be approved by the Municipal Manager together with Chief Financial officer and Head of Department.

Purchasing of Assets not appearing in the IDP (not budgeted for) should be approved by the Council.

Supply Chain Management (Procurement policy) process should be followed in the acquisition of assets and all other work related to assets procedure must be followed when an asset is acquired.

Capital items not purchased in the financial year as approved on the IDP and capital budget of the Municipality may only be transferred to the next

financial year if it is approved by the Municipality's Executive Committee and Council. These approved transfers must be included as carry-over amounts in the capital budget for the new financial year.

11. Risk Management

11.1 All the risks, for losses arising from the damage, destruction or theft of the assets or any liabilities that can arise from the operations of MOLEMOLE MUNICIPALITY, must be evaluated annually in conjunction with reputable risk management advisers to establish a level of risk that is acceptable to the management of MOLEMOLE MUNICIPALITY.

11.2 Fixed assets will be insured at their replacement value, which will be revised annually.

11.3 The replacement value of motor vehicles is the average of the retail and trade value published in the Auto Dealers' Guide as at the end of the financial year.

11.4 The replacement value of all other fixed assets will be their actual market value.

11.5 All the assets ages must be determined at the beginning and be adjusted where necessary at least once a year being approval by Chief Financial officer and Head of Department.

12. Physical verification

12.1 All fixed assets will be identified with a unique bar coded fixed asset number and recorded on an asset inventory sheet. Management should ensure that all Council employees keep an updated copy of the asset inventory sheet.

12.2 Management should ensure that all fixed assets recorded on the Fixed Asset Register are physically verified at least twice a year by means of an asset audit.

12.3 Any differences must be investigated and must be adjusted in the Fixed Asset Register, if agreed and authorised by the responsible Managers and Council. A written explanation of the differences must be supplied by the relevant Head of Department.

12.4 Managers have to ensure that proper documentation is maintained for all their physical verification procedures performed.

12.5 The Asset Control Officer will from time to time do spot checks to ensure that the assets in a specific location agree to the assets listed on the asset inventory sheet of the location. (Both capitalised and Inventory Assets will be checked.)

12.6 The Head of the Department must be informed of damaged or obsolete assets when it is identified by means of the asset verification process. The Head of the Department must follow the procedures as prescribed in point 14.2 below to have the asset scrapped.

13 OTHER MATTERS ARRISING FROM ASSETS

13.1 Recoverable Work

Recoverable work like water connections, electricity connections and sewerage connections were previously capitalized.

This expenditure is recovered from the consumer and therefore does not constitute a capital expense.

All recoverable work will in future be debited against the debtor account and will be recovered from the debtor.

13.2 Assets held under Finance Leases

Assets held under finance leases will be accounted for as follows:

The leased asset will be capitalised in the General Ledger of the Lessee at the amount stated in the lease agreement, and

The asset will be depreciated over the expected useful life of the asset, unless

There is no certainty that the lessee will obtain ownership of the asset by the end of the lease term, whereby the depreciation period will be calculated over the shorter of the lease term or the expected useful life of the asset.
Officials must however ensure that Molemole Municipality obtain ownership for all assets that are purchased under a finance lease.

13.3 Other Leases

All other leases will be accounted for as expenditure in the Income Statement of the Municipality and will be budgeted for accordingly.

13.4 Assets in Halls

Due to the difficulty of marking movable assets in the halls with barcodes, the following procedures must be put in place to ensure the safekeeping and control over these assets.

Stackable chairs, tables and other movable assets must be counted before and after every event that takes place in the hall to ensure that all assets are accounted for after the event.

When assets are moved from the halls an official from the Molemole Municipality must sign the assets removed from the halls out and ensure that all assets are accounted for by signing it in when the assets are returned.

All discrepancies must be reported to the Asset Control Officer as a matter of urgency.

The Asset Control Officer will claim the replacement value of any discrepancies from the responsible person who rented the hall or used the assets outside the hall, via an invoice.

14 Policy for the disposal of redundant, obsolete or Unserviceable furniture and equipment

Assets that become redundant, obsolete or unserviceable must be treated in the following way to ensure that all financial regulation are met with effective procedures for the proper treatment of these assets.

All assets in a department are the responsibility of the Manager of that department, and are only controlled by the Finance Department for accounting and insurance purposes.

14.1 Notification / Recommendation to scrap an asset

The Departmental head is responsible and accountable for the asset in his/her department.
The Head of the Department is also responsible to communicate any asset that must be scraped through to the Finance department for approval.

The Head of the Department that requests to scrap an asset must submit a approved “Request to scrap an Asset Form” see annexure A that can be obtained from the Asset Control Officer.

The following approved information is essential to identify the asset that will be scrapped and must be submitted to the Finance Department as a request to scrap the asset(s).

The asset number

The description of the asset

The physical location

The cost centre under which the asset was utilised

The Department

The reason for scrapping the asset(s).

14.2 Financial Control and approval of scrapping of assets

The Financial Manager will evaluate the proposed write offs and reasons for write off and refer the approved recommendations to the Asset Control Officer.

The Asset Control Officer will investigate the reason for damage where necessary.

The Asset Control officer will include the following information for recommendation of write off to the Financial Manager.

The asset number

The description of the asset

The physical location

The cost centre under which the asset was utilised

The Department

The reason for scrapping the asset(s).

The purchase price and the date of purchase of the asset

The book value of the asset.

The recommended selling price of the asset.

The Financial Manager will consider all aspects of the asset(s) that must be written off and disposed off.

He/She will then submit the following information to the Municipal Manager.

The asset number

The asset description

The purchase date of the asset

The book value of the asset

The reason of the scrapping.

The Municipal Manager will recommend the disposal or scrapping of the asset(s).

This recommendation of disposal and or scrapping of assets will be submitted to the Management Committee as well as to the Molemole Municipality Council for write off approval.

14.3 Scrapping of Inventory Assets

Inventory Assets (assets with a life time of less than a year) will be controlled on an inventory list, and the Departmental Head will be responsible for these inventory assets.
It is therefore essential that Inventory Assets be scrapped in the same way as capitalised assets, with the necessary documentation for approval.

14.4 Disposal of Assets

Assets that are disposed of can be sold in one of the following ways, after the reserve price was established for each asset sold:

By way of Public Auction which notice has been advertised for at least two weeks on the local newspaper or radio stations.

Through the invitation of tenders with a lead time of at least two weeks.

Sold to the public at a price fixed by law or by resolution of the Municipality.

The Molemole Municipality can at any time refuse the disposal of an asset if the reserve price is not met, or it is apparent that it will not benefit the Municipality to sell the asset.

14.4.1 Disposal of Fixed Property

The Municipality may only sell fixed property as regulated by the Municipal Finance Management Act (section 90).

This includes the following:

Fixed Property may not be sold if the fixed property is needed to provide the basic level of municipal services.

Is sold at a fair market value, and not below the value determined by Council.

14.4.2 Disposal of other capitalised- and inventory assets

Assets and Inventory Assets may be sold as prescribed above when the asset is damaged beyond repair, not needed to provide services or any other reason that was approved by Council.

All assets sold or disposed of must be written of by an approved resolution by Council.

14.4.3 Losses arising from the scrapping or disposal of assets

All losses arising from the scrapping or disposal of assets will be recognised as an expense in the Income Statement and will be calculated as follows:

The loss on the scrapping or disposal of the asset will be calculated as the difference between the selling price of the sold asset and the carrying value of the asset.

The accounting treatment will be as follows:

The asset will be written down to the lower of its carrying amount or its realisable value.

The amount of the write down will be recognised as an expense in the Income Statement.

14.4.4 Surplus arising from the scrapping or disposal of assets

All surpluses arising from the sale of an asset will be transferred to the Asset Financing Fund as an appropriation to make provision for future capital expenditure that may be needed.

The calculation of the surplus on the sale of assets will be determined as follows:

The surplus will be the difference between the selling price of the asset and the carrying value of the asset.

The accounting treatment will be as follows:

The asset will be written off in the balance sheet by crediting the accumulated depreciation and the balance to the asset.

The surplus will be credited to the Asset Financing Fund for future use.

15 Other Regulations and controls not provided for in this document.

Individual Asset management regulations and controls not covered in this document will be covered by prior regulations or Council Resolutions.

Any changes to this document relating to the omissions will be approved by Council before implementation. The Municipal Finance Management Act is to be honoured in all instances pertaining to Assets Management.

16 COMMENCEMENT

Council resolves in terms of Sec 111 of the Local Government Municipal Finance Management Act (Act No. 56 of 2003), to adopt the following proposal as the Asset Management Policy of Molemole Local Municipality as per council resolution number _____

This Policy takes effect on the **01st July 2019**

Signature:	
Initials and Surname:	**E Paya**
Designation:	**Mayor**
Council Resolution Number:	
Council Date:	**29 March 2019**